

CITY OF TOLEDO

**Independent Auditors' Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings
June 30, 2016**

CITY OF TOLEDO

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CITY OF TOLEDO

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Svoboda	Mayor	Jan 2016
Brian Sokol	Mayor Pro-Tem	Jan 2018
Joe Boll	Council Member	Jan 2016
Jeff Filloon	Council Member	Jan 2016
Travis Mullen	Council Member	Jan 2018
Terry Goodhart	Council Member	Jan 2018
Janet Kriegel (resigned September 1, 2015)	Clerk/Treasurer	Indefinite
Kim McAdoo (appointed November 1, 2015)	Clerk/Treasurer	Indefinite
Michael Marquess	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Svoboda	Mayor	Jan 2018
Brian Sokol	Mayor Pro-Tem	Jan 2018
Travis Mullen	Council Member	Jan 2018
Terry Goodhart	Council Member	Jan 2018
Joe Boll	Council Member	Jan 2020
Steve Vesely	Council Member	Jan 2020
Kim McAdoo	Clerk/Treasurer	Indefinite
Michael Marquess	Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toledo's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 9 and 27 through 33, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2016 on our consideration of the City of Toledo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Toledo's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
December 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Toledo provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 10.6%, or approximately \$236,000, from fiscal year 2015 to fiscal year 2016. Property tax receipts decreased approximately \$66,000 while operating grants, contributions and restricted interest and capital grants, contributions and restricted interest decreased approximately \$76,000 and \$90,000, respectively.
- Disbursements of the City's governmental activities decreased 2.5%, or approximately \$44,000, in fiscal year 2016 from fiscal year 2015. Community and economic development and debt service disbursements decreased approximately \$128,000 and \$55,000, respectively while public works and public safety increased approximately \$53,000 and \$34,000, respectively.
- The City's total cash basis net position increased 3.7%, or approximately \$127,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$339,000 while the cash basis net position of the business type activities decreased approximately \$212,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds, nonmajor enterprise funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, solid waste, community center and child care facility. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1.) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2.) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water and Sewer Funds and for the operation of the City's child care facility. These funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$1,424,815 to \$1,763,617. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 222,895	308,148
Operating grants, contributions and restricted interest	365,937	441,883
Capital grants, contributions and restricted interest	32,094	121,751
General receipts:		
Property tax	975,031	1,041,435
Other city tax	135,251	139,470
Local option sales tax	178,166	158,136
Unrestricted interest on investments	2,610	1,650
Other general receipts	85,526	20,799
Total receipts	<u>1,997,510</u>	<u>2,233,272</u>
Disbursements:		
Public safety	636,204	601,899
Public works	369,222	315,799
Health and social services	4,096	2,858
Culture and recreation	320,660	304,021
Community and economic development	55,699	183,344
General government	167,577	134,622
Debt service	162,719	217,644
Total disbursements	<u>1,716,177</u>	<u>1,760,187</u>
Change in cash basis net position before transfers	281,333	473,085
Transfers, net	<u>57,469</u>	<u>(18,912)</u>
Change in cash basis net position	338,802	454,173
Cash basis net position beginning of year	<u>1,424,815</u>	<u>970,642</u>
Cash basis net position end of year	<u>\$ 1,763,617</u>	<u>1,424,815</u>

The City's total receipts for governmental activities decreased by 10.6%, or \$235,762. The total cost of all governmental programs and services decreased by \$44,010, or 2.5%, with no new programs added during the year.

The decrease in receipts was primarily due to fewer CDBG funds received in the current year related to the housing revitalization program as well as a decrease in property tax revenue and charges for services. The slight decrease in disbursements was primarily due to a decrease in community and economic development expenses related to the new housing revitalization project.

The cost of all governmental activities this year was \$1,716,177 compared to \$1,760,187 last year. However, as shown on the Statement of Activities and Net Position on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$1,095,251 because some of the cost was paid by those who directly benefited from the programs (\$222,895) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$398,031). The City paid the remaining "public benefit" portion of governmental activities with property taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2016 by approximately \$251,000 primarily due to fewer grant funds and contributions received.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 500,068	511,553
Sewer	472,927	508,606
Solid waste	32,824	32,899
Reinig estate	32,688	24,369
Child care facility	28,323	27,906
Operating grants, contributions and restricted interest	405	968
Capital grants, contributions and restricted interest	87,072	357,650
Revenue bond proceeds	474,182	2,122,074
Other general receipts	66,483	45,297
Total receipts	<u>1,694,972</u>	<u>3,631,322</u>
Disbursements:		
Water	1,175,824	2,802,690
Sewer	538,590	471,352
Solid waste	37,456	56,184
Reinig estate	66,243	54,081
Child care facility	31,173	23,580
Total disbursements	<u>1,849,286</u>	<u>3,407,887</u>
Change in cash basis net position before transfers	(154,314)	223,435
Transfers, net	<u>(57,469)</u>	<u>18,912</u>
Change in cash basis net position	(211,783)	242,347
Cash basis net position beginning of year	<u>1,993,453</u>	<u>1,751,106</u>
Cash basis net position end of year	<u>\$ 1,781,670</u>	<u>1,993,453</u>

Total business type activities receipts for the fiscal year were \$1,694,972 compared to \$3,631,322 last year. The significant decrease was primarily due to fewer note proceeds and grant funds received for construction of the new water treatment plant. Most of the funding for the project was received in the prior year when the major construction took place. Total disbursements for business type activities for the fiscal year were \$1,849,286 which was a decrease of \$1,558,601 from the prior year. The significant decrease in disbursements is primarily due to fewer costs related to the construction of the new water treatment plant. The cash balance for business type activities decreased \$211,783 from the prior fiscal year primarily due to the construction costs and loan repayments for the new water treatment plant exceeding the grant and revenue note proceeds received.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$1,763,617 which is an increase of \$338,802 from last year's total of \$1,424,815. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance increased by \$162,068 primarily due to the sale of property and transfers in from other funds.
- The Special Revenue, Employee Benefits Fund cash balance increased by \$60,373 during the fiscal year. Revenues and expenses remained virtually the same compared to the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$47,013 during the fiscal year. While operating expenses increased compared to the prior year, the state funding received also increased.
- The Debt Service Fund cash balance increased \$50,784 to \$78,947. This is due to the transfers in from other funds to cover the bond and interest payments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Utility Fund cash balance decreased by \$86,114 to \$451,768. The decrease was primarily due to construction costs and debt payments related to the water treatment plant as well as new equipment purchased.
- The Enterprise, Sewer Utility Fund cash balance decreased by \$117,993 to \$1,271,154 primarily due to debt service payments on the two sewer bonds.
- The Enterprise, Child Care Facility Fund cash balance remained virtually unchanged from the prior year.

BUDGETARY HIGHLIGHTS

During the course of the year, the City did not amend their budget, and functional expenditures for the year did not exceed their budgeted amounts.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$5,525,843 in bonds and other long-term debt outstanding, compared to \$5,448,938 last year as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2016	2015
General obligation bonds	\$ 1,725,000	1,875,000
General obligation note	60,000	120,000
Revenue bonds	3,390,256	3,097,074
Revenue note	350,587	356,864
Total	<u>\$ 5,525,843</u>	<u>5,448,938</u>

Debt increased slightly due to the City drawing down more bond proceeds for the construction of the new water treatment plant.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,785,000 is below its constitutional debt limit of \$5,146,353.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Toledo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for various City activities.

During fiscal year 2016-2017, the City plans to complete the construction of the new water treatment plant with expected additional costs of approximately \$275,000 which will be funded by a community development block grant and a water revenue bond. The City also has a sludge storage project planned for the waste water treatment plant that will cost approximately \$240,000. The City will also be focusing on monitoring fund balances and repaying their outstanding debt balances, most of which arose from the recent capital projects. There is an increase in the property tax levy for next year so property tax receipts are budgeted to increase.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kim McAdoo, City Clerk, PO Box 234, Toledo, Iowa, 52342.

Basic Financial Statements

CITY OF TOLEDO
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 636,204	201,576	54,028	-
Public works	369,222	-	289,299	-
Health and social services	4,096	-	-	-
Culture and recreation	320,660	-	15,275	-
Community and economic development	55,699	-	-	32,094
General government	167,577	21,319	7,335	-
Debt service	162,719	-	-	-
Total governmental activities	<u>1,716,177</u>	<u>222,895</u>	<u>365,937</u>	<u>32,094</u>
Business type activities:				
Water	1,175,824	500,068	220	87,072
Sewer	538,590	472,927	176	-
Solid waste	37,456	32,824	-	-
Reinig center	66,243	32,688	-	-
Child care facility	31,173	28,323	9	-
Total business type activities	<u>1,849,286</u>	<u>1,066,830</u>	<u>405</u>	<u>87,072</u>
Total	<u>\$ 3,565,463</u>	<u>1,289,725</u>	<u>366,342</u>	<u>119,166</u>
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Employee benefits				
Debt service				
Other city tax				
Local option sales tax				
Unrestricted interest on investments				
Sale of capital assets				
Revenue bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Debt service				
Streets				
Property tax relief				
Other purposes				
Unrestricted				
Total cash basis net position				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(380,600)	-	(380,600)
(79,923)	-	(79,923)
(4,096)	-	(4,096)
(305,385)	-	(305,385)
(23,605)	-	(23,605)
(138,923)	-	(138,923)
(162,719)	-	(162,719)
(1,095,251)	-	(1,095,251)
-	(588,464)	(588,464)
-	(65,487)	(65,487)
-	(4,632)	(4,632)
-	(33,555)	(33,555)
-	(2,841)	(2,841)
-	(694,979)	(694,979)
(1,095,251)	(694,979)	(1,790,230)
613,235	-	613,235
298,279	-	298,279
63,517	-	63,517
135,251	-	135,251
178,166	-	178,166
2,610	-	2,610
23,957	-	23,957
-	474,182	474,182
61,569	66,483	128,052
57,469	(57,469)	-
1,434,053	483,196	1,917,249
338,802	(211,783)	127,019
1,424,815	1,993,453	3,418,268
\$ 1,763,617	1,781,670	3,545,287
\$ 78,947	377,062	456,009
249,141	-	249,141
118,964	-	118,964
220,759	-	220,759
1,095,806	1,404,608	2,500,414
\$ 1,763,617	1,781,670	3,545,287

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2016

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Debt Service
Receipts:				
Property tax	\$ 595,087	-	298,279	63,517
Other city tax	120,783	-	11,365	2,411
Licenses and permits	840	-	-	-
Use of money and property	16,297	-	156	-
Intergovernmental	101,771	289,299	-	-
Charges for service	208,414	-	-	-
Miscellaneous	64,624	419	-	-
Total receipts	1,107,816	289,718	309,800	65,928
Disbursements:				
Operating:				
Public safety	526,637	-	106,799	-
Public works	76,196	242,705	50,321	-
Health and social services	4,096	-	-	-
Culture and recreation	252,686	-	65,068	-
Community and economic development	55,699	-	-	-
General government	140,338	-	27,239	-
Debt service	-	-	-	162,719
Total disbursements	1,055,652	242,705	249,427	162,719
Excess (deficiency) of receipts over (under) disbursements	52,164	47,013	60,373	(96,791)
Other financing sources (uses):				
Sale of capital assests	23,957	-	-	-
Transfers in	104,937	-	-	147,575
Transfers out	(18,990)	-	-	-
Total other financing sources (uses)	109,904	-	-	147,575
Change in cash balances	162,068	47,013	60,373	50,784
Cash balances beginning of year	915,744	202,128	147,192	28,163
Cash balances end of year	\$ 1,077,812	249,141	207,565	78,947
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	249,141	-	-
Debt service	-	-	-	78,947
Property tax relief	-	-	-	-
Other purposes	-	-	207,565	-
Assigned for:				
Ambulance equipment	238,764	-	-	-
Fire equipment	178,045	-	-	-
Capital improvements	23,912	-	-	-
Other purposes	145,603	-	-	-
Unassigned	491,488	-	-	-
Total cash basis fund balances	\$ 1,077,812	249,141	207,565	78,947

Nonmajor	Total
18,148	975,031
178,858	313,417
-	840
74	16,527
3,211	394,281
-	208,414
-	65,043
200,291	1,973,553
2,768	636,204
-	369,222
-	4,096
2,906	320,660
-	55,699
-	167,577
-	162,719
5,674	1,716,177
194,617	257,376
-	23,957
-	252,512
(176,053)	(195,043)
(176,053)	81,426
18,564	338,802
131,588	1,424,815
150,152	1,763,617
-	249,141
-	78,947
118,964	118,964
13,194	220,759
-	238,764
-	178,045
-	23,912
17,994	163,597
-	491,488
150,152	1,763,617

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2016

	Enterprise Funds		
	Water Utility	Sewer Utility	Child Care Facility
Operating receipts:			
Charges for services	\$ 500,068	472,927	28,323
Miscellaneous	28,168	9,541	-
Total operating receipts	528,236	482,468	28,323
Operating disbursements:			
Business type activities	545,939	369,709	10,293
Excess (deficiency) of operating receipts over (under) operating disbursements	(17,703)	112,759	18,030
Non-operating receipts (disbursements):			
Interest on investments	220	176	9
Intergovernmental	87,072	-	-
Revenue bond proceeds	474,182	-	-
Rent	-	-	-
Debt service	(174,362)	(168,881)	(20,880)
Capital projects	(455,523)	-	-
Total non-operating receipts (disbursements)	(68,411)	(168,705)	(20,871)
Deficiency of receipts under disbursements	(86,114)	(55,946)	(2,841)
Other financing sources (uses):			
Transfers in	-	14,412	-
Transfers out	-	(76,459)	-
Total other financing sources (uses)	-	(62,047)	-
Change in cash balances	(86,114)	(117,993)	(2,841)
Cash balances beginning of year	537,882	1,389,147	40,342
Cash balances end of year	\$ 451,768	1,271,154	37,501
Cash Basis Fund Balances			
Restricted for debt service	\$ 180,433	175,749	20,880
Unrestricted	271,335	1,095,405	16,621
Total cash basis fund balances	\$ 451,768	1,271,154	37,501

Nonmajor	Total
65,512	1,066,830
11,769	49,478
77,281	1,116,308
103,699	1,029,640
(26,418)	86,668
-	405
-	87,072
-	474,182
17,005	17,005
-	(364,123)
-	(455,523)
17,005	(240,982)
(9,413)	(154,314)
4,578	18,990
-	(76,459)
4,578	(57,469)
(4,835)	(211,783)
26,082	1,993,453
21,247	1,781,670
-	377,062
21,247	1,404,608
21,247	1,781,670

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Toledo has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental and nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property taxes to be used to pay employee taxes and benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The Enterprise, Water Utility Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Child Care Facility Fund accounts for the collection of fees from the daycare to fund repayment of the building loan.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 – Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 3 – Pension Plan (Continued)

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 3 – Pension Plan (Continued)

Contributions (continued) – The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$60,111.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$219,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0044354%, which was an increase of .0007303% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows and deferred inflows totaled \$31,191, \$80,709 and \$114,336, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 3 – Pension Plan (Continued)

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debit	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability (asset):	\$ 551,994	219,130	(61,617)

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 3 – Pension Plan (Continued)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 4 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2016, was \$24,833 primarily relating to the General Fund. This liability has been computed based on the rates of pay in effect at June 30, 2016.

Note 5 – Risk Management

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – Other Postemployment Benefits

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 16 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$532 for single coverage and \$1,632 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2016, the City contributed \$201,089 and plan members eligible for benefits did not contribute to the plan.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 7 – Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, water and sewer revenue bonds, and a child care center note are as follows:

Year Ending June 30	General Obligation Bonds		General Obligation Note	
	Principal	Interest	Principal	Interest
2017	\$ 155,000	35,162	60,000	1,050
2018	160,000	32,062	-	-
2019	160,000	28,862	-	-
2020	165,000	25,662	-	-
2021	165,000	22,362	-	-
2022-2026	670,000	69,108	-	-
2027-2031	250,000	13,258	-	-
2032-2036	-	-	-	-
2037-2041	-	-	-	-
2042-2046	-	-	-	-
Total	\$ 1,725,000	226,476	60,000	1,050

Year Ending June 30	Revenue Bonds		Child Care Center Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 189,000	75,812	6,541	14,339	410,541	126,363
2018	191,000	71,964	6,816	14,064	357,816	118,090
2019	194,000	68,082	7,102	13,778	361,102	110,722
2020	196,000	64,148	7,401	13,479	368,401	103,289
2021	204,000	60,178	7,712	13,168	376,712	95,708
2022-2026	1,075,000	237,382	43,705	60,694	1,788,705	367,184
2027-2031	1,096,000	124,428	53,698	50,702	1,399,698	188,388
2032-2036	245,256	31,554	65,974	38,426	311,230	69,980
2037-2041	-	-	81,059	23,341	81,059	23,341
2042-2046	-	-	70,579	5,559	70,579	5,559
Total	\$ 3,390,256	733,548	350,587	247,550	5,525,843	1,208,624

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate Sewer and Child Care Center revenue sinking accounts within the Enterprise Funds for the purpose of making the principal and interest payments when due.
- c) Additional monthly transfers of \$218 to a Child Care Center reserve account within the Enterprise Fund shall be made until \$26,100 has been accumulated. This account is restricted for the purpose of transferring and crediting to the sinking account whenever necessary to prevent or remedy a default in the payment of the principal or interest on the notes.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 7 – Bonds and Notes Payable (Continued)

- e) Additional monthly transfers of \$368 to a Child Care Center depreciation account within the Enterprise Fund shall be made. This account is restricted for the purpose of paying for any repairs, replacements and improvements to the Child Care Center.
- f) All funds remaining in the Child Care Center account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the building or for note and interest payments which the other accounts might be unable to make.

Note 8 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Emergency	50,937
		<u>104,937</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	71,116
	Enterprise:	
	Sewer	76,459
		<u>147,575</u>
Enterprise:		
Solid Waste	General	4,578
Enterprise:		
Sewer	General	14,412
		<u>14,412</u>
Total		\$ <u><u>271,502</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2016

Note 9 – Commitments

The City has entered into a contract for an improvement project to the water treatment plant. The total cost of the contract is \$2,997,932, and at June 30, 2016, the City has a remaining commitment on the contract of \$274,637. In June 2016, the City entered into a contract for a sludge storage project at the wastewater treatment plant. The total cost of the contract is \$237,862 which is the City's remaining commitment at June 30, 2016 as the project has yet to commence.

Note 10 – Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,833 during the year ended June 30, 2016.

Note 11 – Subsequent Events

The City has evaluated all subsequent events through December 22, 2016, the date the financial statements were available to be issued.

Note 12 – New Accounting Pronouncement

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

CITY OF TOLEDO
Budgetary Comparison Schedule of Receipts, Disbursements,
and Changes in Balances-Budget and Actual (Cash Basis)
All Governmental Funds and Proprietary Funds
Other Information
June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 975,031	-
Other city taxes	313,417	-
Licenses and permits	840	-
Use of money and property	16,527	17,410
Intergovernmental	394,281	87,072
Charges for service	208,414	1,066,830
Miscellaneous	65,043	49,478
Total receipts	<u>1,973,553</u>	<u>1,220,790</u>
Disbursements:		
Public safety	636,204	-
Public works	369,222	-
Health and social services	4,096	-
Culture and recreation	320,660	-
Community and economic development	55,699	-
General government	167,577	-
Debt service	162,719	-
Business type activities	-	1,849,286
Total disbursements	<u>1,716,177</u>	<u>1,849,286</u>
Excess (deficiency) of receipts over (under) disbursements	257,376	(628,496)
Other financing sources, net	<u>81,426</u>	<u>416,713</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	338,802	(211,783)
Balances beginning of year	<u>1,424,815</u>	<u>1,993,453</u>
Balances end of year	<u>\$ 1,763,617</u>	<u>1,781,670</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
975,031	928,130	928,130	46,901
313,417	218,623	218,623	94,794
840	25,050	25,050	(24,210)
33,937	24,205	24,205	9,732
481,353	1,340,632	1,340,632	(859,279)
1,275,244	1,427,364	1,427,364	(152,120)
114,521	35,650	35,650	78,871
3,194,343	3,999,654	3,999,654	(805,311)
636,204	729,272	729,272	93,068
369,222	440,737	440,737	71,515
4,096	8,100	8,100	4,004
320,660	343,857	343,857	23,197
55,699	175,000	175,000	119,301
167,577	168,536	168,536	959
162,719	162,719	162,719	-
1,849,286	2,173,121	2,173,121	323,835
3,565,463	4,201,342	4,201,342	635,879
(371,120)	(201,688)	(201,688)	(169,432)
498,139	2,600,000	2,600,000	(2,101,861)
127,019	2,398,312	2,398,312	(2,271,293)
3,418,268	2,677,527	2,677,527	740,741
3,545,287	5,075,839	5,075,839	(1,530,552)

CITY OF TOLEDO
Notes to Other Information – Budgetary Reporting
June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, there were no budget amendments.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted in any function.

CITY OF TOLEDO
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Two Years*
Other Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0044354 %	0.0037051 %
City's proportionate share of the net pension liability	\$ 219,130	146,942
City's covered-employee payroll	\$ 625,825	584,771
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.01 %	25.13 %
IPERS' net position as a percentage of the total pension liability	85.19 %	87.61 %

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

CITY OF TOLEDO
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 60,111	59,174	55,166	51,151
Contributions in relation to the statutorily required contribution	<u>(60,111)</u>	<u>(59,174)</u>	<u>(55,166)</u>	<u>(51,151)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 645,415	625,825	584,771	547,289
Contributions as a percentage of covered-employee payroll	9.31%	9.46%	9.43%	9.35%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
49,425	46,048	41,799	37,247	34,939	35,596
<u>(49,425)</u>	<u>(46,048)</u>	<u>(41,799)</u>	<u>(37,247)</u>	<u>(34,939)</u>	<u>(35,596)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
568,637	571,335	554,607	527,397	507,899	514,853
8.69%	8.06%	7.54%	7.06%	6.88%	6.91%

CITY OF TOLEDO

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2016

	Special Revenue			
	Local Option Sales Tax	Library Gift Trust	Emergency	Police Federal Forfeiture
Receipts:				
Property tax	-	-	18,148	-
Other city tax	\$ 178,166	-	692	-
Use of money and property	66	8	-	-
Intergovernmental	-	3,211	-	-
Total receipts	178,232	3,219	18,840	-
Disbursements:				
Operating:				
Public safety	-	-	-	2,768
Culture and recreation	-	2,906	-	-
Total disbursements	-	2,906	-	2,768
Excess (deficiency) of receipts over (under) disbursements	178,232	313	18,840	(2,768)
Other financing uses:				
Transfers out	(125,116)	-	(50,937)	-
Change in cash balances	53,116	313	(32,097)	(2,768)
Cash balances at beginning of year	65,848	17,681	32,911	6,777
Cash balances at end of year	\$ 118,964	17,994	814	4,009
Cash Basis Fund Balances				
Restricted for:				
Property tax relief	\$ 118,964	-	-	-
Other purposes	-	-	814	4,009
Assigned for other purposes	-	17,994	-	-
Total cash basis fund balances	\$ 118,964	17,994	814	4,009

<u>Capital Projects</u>	
<u>Recreation</u>	
<u>Trail</u>	<u>Total</u>
-	18,148
-	178,858
-	74
-	3,211
-	200,291
-	2,768
-	2,906
-	5,674
-	194,617
-	(176,053)
-	18,564
8,371	131,588
8,371	150,152
-	118,964
8,371	13,194
-	17,994
8,371	150,152

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds
As of and for the year ended June 30, 2016

	Solid Waste	Reinig Center	Total
Operating receipts:			
Charges for services	\$ 32,824	32,688	65,512
Miscellaneous	-	11,769	11,769
Total operating receipts	<u>32,824</u>	<u>44,457</u>	<u>77,281</u>
Operating disbursements:			
Business type activities	<u>37,456</u>	<u>66,243</u>	<u>103,699</u>
Deficiency of operating receipts under operating disbursements	(4,632)	(21,786)	(26,418)
Non-operating receipts:			
Rent	-	17,005	17,005
Total non-operating receipts	<u>-</u>	<u>17,005</u>	<u>17,005</u>
Deficiency of receipts under disbursements	<u>(4,632)</u>	<u>(4,781)</u>	<u>(9,413)</u>
Other financing sources:			
Transfers in	<u>4,578</u>	-	<u>4,578</u>
Change in cash balances	(54)	(4,781)	(4,835)
Cash balances beginning of year	<u>287</u>	<u>25,795</u>	<u>26,082</u>
Cash balances end of year	<u>\$ 233</u>	<u>21,014</u>	<u>21,247</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 233</u>	<u>21,014</u>	<u>21,247</u>
Total cash basis fund balances	<u>\$ 233</u>	<u>21,014</u>	<u>21,247</u>

CITY OF TOLEDO
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Aquatic center	Jun 1, 2013	1.50-2.00 %	\$ 983,000
State revolving fund sewer	Jun 1, 2013	1.50-2.63	<u>1,202,000</u>
Total			<u>\$ 2,185,000</u>
General obligation note:			
Fire truck	Nov 20, 2012	1.75 %	<u>\$ 300,000</u>
Revenue bonds:			
State revolving fund sewer	Jun 1, 2013	2.65 %	\$ 1,085,000
State revolving fund water	Oct 31, 2014	1.75	<u>2,122,074</u>
Total			<u>\$ 3,207,074</u>
Revenue note:			
Child care facility	Apr 30, 2007	4.125 %	<u>\$ 400,000</u>

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
815,000	-	85,000	730,000	15,494	-
1,060,000	-	65,000	995,000	22,669	-
1,875,000	-	150,000	1,725,000	38,163	-
120,000	-	60,000	60,000	2,100	-
975,000	-	55,000	920,000	25,837	-
2,122,074	474,182	126,000	2,470,256	48,362	-
3,097,074	474,182	181,000	3,390,256	74,199	-
356,864	-	6,277	350,587	14,603	-

CITY OF TOLEDO
Bond and Note Maturities
June 30, 2016

Schedule 4

Year Ending June 30,	General Obligation Bonds				General Obligation Note		
	Aquatic Center		State Revolving Fund Sewer		Fire Truck		
	Issued June 1, 2013		Issued June 1, 2013		Issued Nov. 20, 2012		
	Interest		Interest		Interest		Total
	Rate	Amount	Rate	Amount	Rate	Amount	
2017	2.00 %	\$ 85,000	2.00 %	\$ 70,000	1.75 %	\$ 60,000	215,000
2018	2.00	85,000	2.00	75,000	-	-	160,000
2019	2.00	85,000	2.00	75,000	-	-	160,000
2020	2.00	90,000	2.00	75,000	-	-	165,000
2021	1.50	90,000	1.50	75,000	-	-	165,000
2022	1.63	95,000	1.63	75,000	-	-	170,000
2023	2.00	100,000	2.00	75,000	-	-	175,000
2024	2.00	100,000	2.00	75,000	-	-	175,000
2025	-	-	2.40	75,000	-	-	75,000
2026	-	-	2.40	75,000	-	-	75,000
2027	-	-	2.63	80,000	-	-	80,000
2028	-	-	2.63	85,000	-	-	85,000
2029	-	-	2.63	85,000	-	-	85,000
Total		\$ 730,000		\$ 995,000		\$ 60,000	1,785,000

Year Ending June 30,	Revenue Bonds				Revenue Note		
	State Revolving Fund Sewer		State Revolving Fund Water		Child Care Center		
	Issued June 1, 2013		Issued Oct. 31, 2014		Issued April 30, 2007		
	Interest		Interest		Interest		Total
	Rate	Amount	Rate	Amount	Rate	Amount	
2017	2.65 %	\$ 60,000	1.75 %	\$ 129,000	4.13 %	\$ 6,541	195,541
2018	2.65	60,000	1.75	131,000	4.13	6,816	197,816
2019	2.65	60,000	1.75	134,000	4.13	7,102	201,102
2020	2.65	60,000	1.75	136,000	4.13	7,401	203,401
2021	2.65	65,000	1.75	139,000	4.13	7,712	211,712
2022	2.65	65,000	1.75	142,000	4.13	8,036	215,036
2023	2.65	65,000	1.75	145,000	4.13	8,374	218,374
2024	2.65	65,000	1.75	148,000	4.13	8,726	221,726
2025	2.65	70,000	1.75	151,000	4.13	9,093	230,093
2026	2.65	70,000	1.75	154,000	4.13	9,476	233,476
2027	2.65	70,000	1.75	157,000	4.13	9,874	236,874
2028	2.65	70,000	1.75	160,000	4.13	10,289	240,289
2029	2.65	70,000	1.75	163,000	4.13	10,721	243,721
2030-2045	2.65	70,000	1.75	581,256	4.13	240,426	891,682
Total		\$ 920,000		\$ 2,470,256		\$ 350,587	3,740,843

CITY OF TOLEDO
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	\$ 975,031	1,041,435	1,071,248	1,083,336
Tax increment financing revenues	-	-	-	-
Other city tax	313,417	297,606	261,982	301,725
Licenses and permits	840	1,280	2,162	2,658
Use of money and property	16,527	20,973	25,983	23,173
Intergovernmental	394,281	426,986	285,391	278,397
Charges for services	208,414	284,082	281,051	250,174
Special assessments	-	-	-	-
Miscellaneous	65,043	160,300	27,036	45,483
Total	\$ 1,973,553	2,232,662	1,954,853	1,984,946
Disbursements:				
Operating:				
Public safety	\$ 636,204	601,899	537,899	570,451
Public works	369,222	315,799	296,993	310,209
Health and social services	4,096	2,858	3,434	1,050
Culture and recreation	320,660	304,021	318,288	297,632
Community and economic development	55,699	183,344	3,512	3,512
General government	167,577	134,622	145,856	145,139
Debt service	162,719	217,644	381,626	2,589,405
Capital projects	-	-	-	300,000
Total	\$ 1,716,177	1,760,187	1,687,608	4,217,398

2012	2011	2010	2009	2008	2007
994,743	830,125	795,846	1,019,718	846,398	929,723
-	-	4	58,110	113,070	241,150
212,222	262,585	260,161	281,512	277,758	240,350
1,832	1,779	8,720	6,780	3,125	8,608
7,679	10,877	11,372	18,529	24,971	31,516
576,210	1,046,767	322,416	323,665	336,680	1,073,176
261,235	268,413	259,659	275,803	283,499	259,096
433	1,781	4,333	5,431	2,169	16,350
86,749	30,395	57,532	25,888	41,230	98,423
2,141,103	2,452,722	1,720,043	2,015,436	1,928,900	2,898,392
775,382	591,036	535,157	555,569	582,666	608,738
275,551	1,118,827	415,945	243,301	673,534	227,432
-	-	-	-	-	-
322,408	316,721	282,916	276,533	261,814	241,929
10,394	9,880	17,116	18,607	18,607	23,349
241,831	269,665	273,114	256,755	250,725	269,839
468,667	370,785	301,009	422,854	363,650	1,090,034
358,033	45,409	14,081	85,193	99,371	1,003,493
2,452,266	2,722,323	1,839,338	1,858,812	2,250,367	3,464,814



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Toledo's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Toledo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Toledo's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as item II-A-16 through II-C-16 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as items II-D-16 to be a significant deficiency.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Toledo's Responses to Findings

The City of Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Toledo's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Toledo during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
December 22, 2016

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2016

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – We will continue to monitor other ways to improve segregation of duties.

Conclusion – Response accepted.

II-B-16 Financial Reporting – During the audit, we identified a material amount of revenue transactions, including property tax and local option sales tax receipts as well as grant funds and revenue note proceeds that were incorrectly posted between funds and in total. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure revenue receipts are properly recorded in the City's financial statements.

Response – City employees will continue to receive training and will monitor the posting of transactions more closely.

Conclusion – Response accepted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2016

- II-C-16 Bank Reconciliations – Bank accounts are not being reconciled timely and the cash balances in the City’s general ledger are not being reconciled to bank account balances throughout the year. Thus, outstanding discrepancies exist between actual cash balances and fund balances within the system.

Recommendation – To improve financial accountability and control, fund balances should be reconciled back to the bank balances monthly and variances resolved on a timely basis.

Response – The City will implement monthly balancing and reconciliation processes.

Conclusion – Response accepted.

- II-D-16 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections, and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits. A reconciliation is designed to ensure the proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

During our testing, we also noted one customer that was being billed at the wrong rate. The customer was being billed at the rural rate instead of the rate for those within city limits.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or Council-designated independent person should review the reconciliations and monitor delinquencies. The City should also review billing rates to ensure customers are being billed at the proper rates.

Response – The City will implement a monthly reconciliation process.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-16 Certified Budget – Disbursements during the year ended June 30, 2016, did not exceed the amounts budgeted.

CITY OF TOLEDO

Schedule of Findings

Year Ended June 30, 2016

III-B-16 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Cedar Rapids Kernals	Twenty five baseball tickets	\$ 200
VISA	Late payment fee and interest	14

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

There were also two disbursements tested involving credit cards that did not include receipts for the various purchases. Without proper supporting documentation, it was unclear whether these disbursements met the public purpose requirements.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper supporting documentation.

Response – The City will ensure supporting documentation is included for all disbursements and will implement procedures to document public purpose, if deemed necessary.

Conclusion – Response accepted.

III-C-16 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-16 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kendall Jordan, Public Works Superintendent Owner of Iowa Step and Tank	Repairs and maintenance	\$ 941
Kendall Jordan, Public Works Superintendent Owner of S&S Car Wash	Services	892

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the total was less than \$1,500 during the fiscal year.

CITY OF TOLEDO

Schedule of Findings

Year Ended June 30, 2016

III-E-16 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-16 City Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City Council went into closed session on April 25, 2016. However, the minutes record did not document the reason for the closed session by reference to a specific Code of Iowa exemption as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

On May 2, 2016, the City held a special meeting to go into closed session. However, there were no procedural minutes to document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – The City will follow Chapter 21 requirements under the Code of Iowa.

Conclusion – Response accepted.

III-G-16 Transfers – The City periodically transferred money to and from various funds and accounts. However, one of the transfers was not approved by the Council prior to the actual transfer and three transfers were made for different amounts than what were approved. Also, one transfer was approved to the wrong fund – the transfer from the sewer fund to the debt service fund should have been made to the sewer sinking fund instead.

Recommendation – The City should approve all fund transfers prior to the actual transfer and ensure that the approved transfers are recorded for the proper amount in the correct fund.

Response – The City will implement procedures to ensure all transfers are approved and posted to the correct fund for the approved amount.

Conclusion – Response accepted.

III-H-16 Payroll – During the audit, we discovered that two separate payroll tax deposits during the year – one to the State of Iowa and one to the Internal Revenue Service – had not been made, resulting in an underpayment of payroll taxes totaling \$7,092 and penalty and interest totaling \$4,352.

Recommendation – The City should ensure that all payroll tax deposits are paid timely.

Response – The City will pay payroll taxes directly after the payroll process is complete.

Conclusion – Response accepted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2016

III-I-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

III-J-16 Revenue Bonds and Note – Except as noted, no instances on non-compliance with the revenue bonds and note resolutions were noted.

At June 30, 2016, the City’s daycare reserve fund was not maintained at an amount equal to the reserve account requirement required by the provisions of the daycare revenue note resolution.

During the year ended June 30, 2016, transfers to the sewer revenue note sinking fund were not sufficient to make the required principal and interest payments on the note, resulting in a deficit balance for the sinking fund, which is not in compliance with the revenue bond provisions.

Recommendation – The City should make required transfers to the sewer revenue sinking fund and ensure the daycare reserve fund balance is maintained at the required amount.

Response – We will research the sewer bond requirements and fund the sewer sinking fund to its appropriate level. The requirements for the daycare revenue note will no longer be applicable as we have refinanced that note into a general obligation bond.

Conclusion – Response accepted.

CITY OF TOLEDO

Audit Staff

This audit was performed by:
Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158

Personnel:

Elizabeth Miller, C.P.A., Partner
Nathan Minkel, C.P.A., Partner
Taylor Johnson, C.P.A., Manager